

BOARD AUTHORIZES UPRATE CONSTRUCTION AT VERMONT YANKEE; CONDITIONS HIGHER OUTPUT ON INDEPENDENT ENGINEERING ASSESSMENT AND FINANCIAL SHIELD

Montpelier, Vermont — March 15, 2004

The Vermont Public Service Board today authorized Entergy Nuclear Vermont Yankee, during Vermont Yankee's next refueling outage (expected in April 2004), to perform physical changes which are designed to allow it to increase power output by up to 20 percent. The Board found that the uprate, with appropriate conditions, would promote the general good of the state by providing additional power to New England's power grid and economic benefits to Vermont. However, several conditions must be met prior to actually increasing power output. In the two most significant of these, the Board (1) requests that the federal Nuclear Regulatory Commission conduct an independent engineering assessment of Vermont Yankee and (2) requires Entergy to provide assurances that ratepayers will be protected from financial harm if output is reduced because Vermont Yankee exhausts its storage capacity more swiftly as a result of the uprate.

Vermont Yankee is the largest generating source in the state of Vermont, producing approximately 510 MW of power. Through a Power Purchase Agreement between Entergy and two Vermont utilities, Green Mountain Power Corporation and Central Vermont Public Service Corporation, Vermont Yankee now provides about one-third of the electric power in the state of Vermont. Entergy, which acquired Vermont Yankee a year and a half ago, sought approval from the Board to increase the power output through what is generally referred to as an "extended power uprate." Entergy would then sell the additional power within the New England wholesale power market.

The Board found that the proposed uprate would benefit the state, if several conditions are met. As proposed, the uprate posed financial risks to Vermont ratepayers that could result in the costs of the uprate exceeding the benefits. In particular, the physical modifications to Vermont Yankee and operation at higher power levels raise the potential for increased outage frequency and duration. Increased outage time, the Board found, could require the Vermont utilities to purchase replacement power at prices that might be in excess of those that they otherwise would have paid for power from Vermont Yankee. These higher costs might be passed on to Vermont ratepayers.

The Board found that a proposed ratepayer protection plan was an important step towards limiting economic harm to Vermonters, but concluded that it was necessary to obtain greater assurances that Vermont Yankee would run reliably. In a letter today, the Board asks the NRC to conduct an independent engineering assessment (augmenting the NRC's upcoming safety analyses) as part of its evaluation of Entergy's proposed uprate.

Vermont Yankee's uprated operation would use fuel faster and, thus, more quickly exhaust its currently authorized capacity to store spent fuel. The Board is requiring Entergy, before operating at increased power levels, to provide assurances that Vermont utilities and ratepayers would be shielded from potentially higher replacement power costs if output is reduced because Vermont Yankee exhausts its storage capacity more swiftly as a result of the uprate.

The Board's Order also accepted, with one modification, a settlement agreement between Entergy and the Department of Public Service under which Entergy agreed to make financial payments to the state. As proposed, the payments would have been directed to three specified funds. The Board concluded that the payments directly address the statutory standard of "economic benefit to the state." However, based upon its precedents,

the Board could not approve the commitment of money to specific funds unless there was a clearer nexus between those funds and either parties directly affected by the proposal, or matters within the Board's jurisdiction. As a result, the Board directed that any such money from Entergy be paid to the state general fund for distribution as determined by the Legislature and the Governor.

Several other important conditions are specified in the Board's decision and summarized in its introduction and ordering clauses.

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